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# Congressional Record

SIXTY-NINTH CONGRESS, FIRST SESSION

## OUR PREARMISTICE LOANS

They were virtually our only substantial contribution to the carrying on of our war during nearly three-quarters of the period of our participation. They were the means of saving for us vastly greater expenditure and of sparing hundreds of thousands of American lives. We can no more consider to-day those advances as mere business dealings between borrowers and lenders than did those who authorized them nine years ago.

### SPEECH

OF

HON. A. PIATT ANDREW

OF MASSACHUSETTS

IN THE

HOUSE OF REPRESENTATIVES

WEDNESDAY, JANUARY 13, 1926



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# OUR PREARMISTICE LOANS

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## SPEECH

OF

HON. A. PIATT ANDREW

Mr. ANDREW. Mr. Chairman and gentlemen of the committee, I had asked for and hoped to be allotted a longer time to speak on this question, because throughout the many hours of debate, and until the last speaker addressed the committee, no one, so far as I can recall, has more than alluded to what, in my judgment, is the most important aspect of the question of the foreign debts, namely, their origin. Most of those who have spoken during this time have treated these debts as if they were, all of them, simply ordinary debts, and yet a very large proportion of the debts were based on loans which primarily were payments for services rendered to our country, payments made by the United States to the other countries associated with us in the war for very important services, payments for services which saved our country many precious lives and a vastly greater expenditure of money. I can not, in the brief period that is allotted to me, more than sketch an outline of the case which I should like to have presented to you, and, therefore, Mr. Chairman, I ask permission to extend what I shall say to-day at greater length in the RECORD.

The CHAIRMAN. The gentleman from Massachusetts asks unanimous consent to revise and extend his remarks in the RECORD. Is there objection?

There was no objection.

Mr. ANDREW. Most of the discussion has proceeded on the assumption that our Government's foreign debts are all of them without distinction, like any other kind of debts, and that all of them bear the same moral as well as legal obligation. There are many, however, who question the validity of that assumption as applied to certain of the debts and believe that just settlements with some of the countries and our own country's reputation for fair dealing are involved in the issue.



No one doubts that the debts of most of the debtor countries and some of the debts of all the debtor countries—those arising from loans made after the armistice for purposes of relief and reconstruction—are assimilable to ordinary debts and involve the same obligations. But we can not overlook the fact that a very large proportion of what were technically loans were essentially payments made by our Government for service rendered; and for these, no matter what may be their documentary form, the moral right to demand reimbursement is, to say the least, doubtful. In order to appreciate this, we have only to recall the circumstances under which they were made.

As a good deal of time has elapsed since then, you will perhaps pardon my attempt to refresh your memories of those circumstances. I shall recount only the bare facts and trust to your individual recollections of what happened nine years ago to supplement them.

Until the World War became our war the United States Treasury had lent nothing—not a cent—to Belgium, France, Italy, Great Britain, or any other country engaged in that war. It was during the first week of April, 1917, that the great decision was made by Congress on the advice of the President. In this Hall at that time he voiced the country's will in pledging to the task "our lives and our fortunes, everything that we are, and everything that we have." We could not send men to the front at once, for we had only a paltry number who were trained and prepared; and although we set to work with fabulous zeal to get vast numbers ready, it was evident that many months—at least a year and probably more—would pass before we should have troops to take part in the war in which we were already launched. But if we had no trained soldiers, we had factories and mines capable of producing the supplies required by war; and within little more than a week after the declaration a bill had been voted by Congress to make these supplies available to the armies then in the field.

This act began with the words—

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For the purpose of more effectually providing for the (our) national security and defense, and prosecuting the (our) war—

And it authorized the Secretary of the Treasury to establish credits for governments—

then engaged in war with the enemies of the United States.

The act was intended to make possible our immediate participation in what was now our war, and the credits were authorized in order to place at the disposal of the armies associated with us in the ordeal the iron, steel, copper, chemicals, shells, rifles, powder, explosives, and other supplies which we had or could produce in abundance and which they could use in holding or pushing back the enemy.

The character and purpose of this act are so crucial for the understanding of the whole question of what are called "the allied debts" that I ask your indulgence if I recall to your memory a few of the things said on the floor of this House and of the Senate when the bill was under discussion. I will cite only the words of influential Members, whose reputation and standing are known to you all, men from East, West, North, and South, irrespective of whether they were Republicans or Democrats. There were no sectional or party lines in those days when the country faced war. I think that you will be interested to hear some of the opinions expressed at that time, for they have a bearing upon the questions we face to-day.

Mr. MANN, of Illinois, stated the case very clearly on April 14, 1917:

We are not prepared to place men in the field. We are not prepared to fight with our Army. We are not prepared to do very much with our Navy; not because we do not have some Navy but because there is little opportunity for the Navy to engage in actual war at this time. \* \* \* The only way left to us is to help finance those nations who are fighting our enemy. \* \* \* I think it is our highest duty in the making of war to give aid to those who are fighting the enemy against whom we have declared war.

Then he added:

I only hope and pray that the aid thus given may be effectual enough to end the war before we send our boys to the trenches.



Let me quote next Mr. FORDNEY, of Michigan:

My idea is that those people are much in need of money to prosecute this war. There is no other object on the face of the earth in the minds of the American people in loaning European nations this money. Their only purpose is to aid them in the best way possible to fight our battle across the sea without calling upon our men to go there.

And now Mr. MONDELL, of Wyoming:

We can not say and we shall not say that we will not send our forces to any battle front where they may be needed to accomplish the purpose of the declaration of the Congress; but we sincerely hope that we shall not be called upon to do that to the extent of sending men to fight overseas. But we can effectively and in the immediate future arm and strengthen and support those who are, since our declaration of war, fighting our battles. They have already been heartened and strengthened by our declaration of participation in the conflict, and if we can hearten and strengthen them further by large supplies of funds and strengthening of credit it is our duty and to our advantage to do so.

That is what three Republican leaders thought. Let us pass to the other side of the House. First, Mr. KITCHIN, of North Carolina, chairman of the Ways and Means Committee:

You will understand that they will be fighting with our money their battles, and we will be fighting with our money our battles, too.

And he added, perhaps as an additional incentive—

We are of the opinion that most of this money that we will loan to the Allies for the purchase of their bonds will of necessity have to be expended in the United States.

Mr. FITZGERALD, chairman of the Appropriations Committee, did not seem to be very much concerned about eventual payment. He said:

I should gladly vote to give \$6,000,000,000 to the nations arrayed on the same side with us if we could win this war without sacrificing American blood and American lives. I have little sympathy with the suggestion that possibly we will not get our money back. I care not so much if we do if American blood and American lives be preserved by the grant of the money.

Mr. RAINEY evidently did not consider the credits authorized by the bill as ordinary loans. He said:

We are not making this loan for the purpose of making an investment of our funds. We are making this loan in order to further our

interests primarily in this World War, and from that moment when the Congress of the United States declared that a state of war existed between this country and Germany every blow struck at Germany by any of her enemies was struck also in our interest.

Now, listen to Mr. LAGUARDIA, of New York, who, as he said, did not figure on the complete restitution of the \$3,000,000,000 loan to be made to foreign governments:

Yes; I believe that a good portion will be in due time returned, but I am certain that some of it will have to be placed on the profit-and-loss column of Uncle Sam's books. Let us understand that clearly now and not be deceived later. Even so, if this brings about a speedy termination of the European war and permanent peace to our own country, it is a good investment at that.

And last of all, so far as the House is concerned, I want to quote from another distinguished Member, who happily is also still with us and held in the highest honor, Mr. MADDEN, of Illinois:

We have already declared war, and we are not prepared to begin to fight the war we have declared. If we can find somebody else to fight the war for us with our money we ought not to hesitate to grant them the credit which they want and must have. There is no way to win this war except by men and money. We are not prepared to furnish the men to-day, and somebody else is prepared to furnish the men if we furnish the money. I do not agree with the statement that we are furnishing this money for somebody else to wage war on their own account, but we are doing our part to wage the war in which we are engaged.

And again, on the same day, Mr. MADDEN said:

If the men who have not the money and who are able to fight are willing to fight and offer their lives for the preservation of American honor and for the liberty of the world, then the men who are not able to fight but who have had the good fortune to make money ought to help to pay the bill. \* \* \* Everyone knows that we will not have an army in the field for a year, or more than a year, and our duty to posterity and to liberty is to do everything we can to-day to win victory for the American people and for the liberty of the world.

Mr. MILLER, of Minnesota, asked:

Do I understand the gentleman to mean that these loans we are going to make are not to be repaid?

And Mr. MADDEN replied:

I would not care whether they were repaid or not. We are starting out to win a victory, as I understand it, to maintain American rights;



and if we can maintain American rights by furnishing money to somebody willing to fight our battles until we are prepared to fight those battles for ourselves we ought to do it.

Mr. MOORE, of Pennsylvania, inquired:

The gentleman knows that if the foreign governments do not pay the money they borrow from us the people of the United States will have to pay it?

And again Mr. MADDEN replied:

I am one of the American people who is ready to pay my share of the obligation, and I shall have to pay as much of the money that is to be raised in taxes as most of the men in the United States will have to pay, and I am ready to do it to the extent of every dollar I own.

What was said in the Senate was very like what had been said in the House. I will quote only a few passages, and first of all from the then chairman of the Finance Committee, Senator SIMMONS, of North Carolina:

Mr. President, we have not the men to send over there at present to help fight our battles; our Navy possibly can be of but very little use in present conditions. It will be long, weary months of waiting before we shall be able to render much assistance to our allies in the field. The help this bill offers is an earnest and a guaranty which carries hope and assurance of greater assistance and helpfulness in the future. It will assure them that in this great cause we stand ready to risk life and fortune. Let us do this heartily, cordially, unanimously, and without hesitation; let us do it in the spirit of men who thoroughly understand and comprehend the great cause in which we are fighting, the great thing that we are undertaking, and who are entering into it without thought of profits, without thought of financial loss, without thought of the bodily discomfort, without thought of the sacrifice, but ready and willing to make every sacrifice.

A little later Senator McCUMBER, of North Dakota, who subsequently became chairman of the Finance Committee, spoke as follows:

While we are recognizing that we are putting \$7,000,000,000 into the battle, we must not fail to recognize that we are not as yet putting in a single one of our American soldiers, while blood is being poured out by our allies in unstinted measure. \* \* \* It is probably true that more than a quarter of a million men are going down to death or are being wounded or captured every month during the contest. Therefore, while they are suffering to that extent, we ought to be mighty



liberal in the expenditure of money when we can take no part in the real battle, which to-day is the battle of the American people.

Let me quote next from the present chairman of the Finance Committee, Senator Smoot, of Utah:

The \$3,000,000,000 which we are proposing to raise by a bond issue for the purpose of advancing it to the Allies, I believe, Mr. President, will all be repaid; but if it should not be, or if not one penny of it is returned, I wish to say now that every penny of it will be expended for the defense of the principles in which we believe and which we entered the war to uphold. Mr. President, I think that every dollar that will be expended under the provisions of this bill, if it is expended honestly, will be for the benefit of the United States, whether spent by us or by the Allies.

The junior Senator from Iowa, Senator KENYON, also spoke on that day, and among other things that he said was this:

I want to say this for myself, Mr. President, that I hope one of these loans, if we make it, will never be paid and that we will never ask that it be paid. We owe more to the Republic of France for what it has done for us than we can ever repay. \* \* \* I never want to see this Government ask France to return the loan which we may make to her.

Finally, a word from the senior Senator from Iowa [Senator CUMMINS] and I think you will agree that he displayed not only insight but a foresight that places him in the ranks of the prophets. He said:

I am perfectly willing to give to any of the allied nations the money which they need to carry on our war, for it is now our war. I would give it to them just as freely as I would vote to equip an army or to maintain a navy of our own; but I shrink from the consequences that will, in all human probability, flow from the course which is suggested in this bill. \* \* \* I should like to give to the allied nations \$3,000,000,000, if they need the contribution, with never a thought of its repayment at any time or under any circumstances; I should like to give that or whatever sum may be thought needed as our donation to one phase of our own war, but I fear that in the years to come the fact that the United States has in its possession bonds of these great countries which, when they emerge from the war will all be bankrupt, will create an embarrassment from which the men of these times will find it difficult to escape. I think it will cost us more to take those bonds and to hold them against these governments than it would cost us to give the money, with a generous and patriotic spirit, to do something

which for the time being, for the moment, we are unable to do with our own Army and our own Navy.

I leave it to you, was not Senator CUMMINS right both in his prognostications as to what would happen and his advice as to what should have been done?

If you have followed the quotations which I have read, you will have observed that throughout the discussion the credits to be established were not considered as ordinary loans, much less as investments. They were regarded by Congressmen and Senators alike as America's contribution to the prosecution of the war at a time when we were unable to participate in any other way. Among the leaders in both Houses, not only was doubt expressed as to whether these loans would ever be repaid, but indifference was declared both by Democratic and Republican leaders as to their eventual repayment, and these declarations of indifference were not very seriously challenged.

We had not entered the war for the sake of other countries. It was not because Belgium was invaded or because France was being crushed. It was not on behalf of England or Italy or any other country than our own United States. It was because American men, women, and children were being killed, American rights trampled upon, American property destroyed. It was because we had discovered the German Government inciting an invasion from Mexico and promising that country a part of our territory in case of victory. It was our war on our own behalf because of our own manifold and sufficient grievances.

Yet, we were unable, and for 14 months were destined to be unable to take any active part in the prosecution of that war. By force of circumstance we were virtually placed in a situation like that voluntarily assumed by many men in the North during the Civil War who having been drafted for the Union Armies hired substitutes to take their places. Being unable for lack of proper preparation to fight our own battles we were obliged to hire substitutes, as Mr. MADDEN so clearly expressed it at the time, "to fight our battles until we were prepared to fight those battles ourselves."



All that we could do during the 14 months of preparation was to help other armies with funds. And that we did. And the greater part of the loans whose settlement we are now discussing is the result. I need not remind you that the service to us ourselves of the credits we extended to our associates during those months was no less than the service to them. If at any time between April, 1917, and June, 1918, when our effective participation began those associates had failed and had been forced to make a separate peace, or if they had chosen to make a separate peace, no one can estimate what our war would have cost in American lives and treasure. No one can calculate what their holding of the line saved to the United States in men and in money. But certainly the funds we offered freely to them then, and which we are reclaiming now, saved a vast number of precious lives for us.

As General PERSHING said in a speech in Denver, August 23, 1924:

If it had not been that the Allies were able to hold the lines for 15 months after we entered the war, held them with the support of the loans we had made, the war might have been lost. We scarcely realize what those loans meant to the Allies and to us.

And then he added:

It seems to me that there is some middle ground where we should bear a certain part of the expense in maintaining the allied armies on the front while we were preparing, instead of calling all this money a loan and insisting upon its repayment.

These are considerations, my colleagues, for us to remember in discussing the return of advances made in 1917 and 1918 to our brothers in arms of Italy and Belgium, and to be remembered also later on when we discuss the advances made to France during the same period. These advances were not regarded at the time as ordinary borrowings. They were virtually our only substantial contribution to the carrying on of our war during nearly three-quarters of the period of our participation. They were the means of saving for us vastly greater expenditure and of sparing hundreds of thousands of American lives. We can no more consider to-day those advances as mere business dealings between borrowers and

lenders than did those who authorized them nine years ago.  
[Applause.]

In arranging terms for the settlement of such advances we should be short in memory and small in spirit if we did not bear these facts in mind—if we did not look behind the strict letter of the obligation. Congress, in fact, made provision for such considerations when it instructed the Debt Funding Commission to arrange settlements which they believed to be “just,” and Congress will bear these facts in mind in approving or disapproving the terms of the several agreements submitted by the commission to-day.

And now in the few moments that remain may I try to express an opinion upon those agreements in the light of what has gone before?

The settlements with Latvia, Esthonia, Czechoslovakia, and Rumania were exclusively for postwar loans, and the considerations to which I have tried to draw attention are not applicable to them. Their loans were not incurred for carrying on the war, but for local relief and stabilization after the war. The arrangements made for repayment by these four countries seem eminently fair.

The arrangement with Italy must also be considered generous and fair. During the war, Italy borrowed from the United States a little more than a billion dollars—\$1,031,000,000—and after the war somewhat over six hundred millions—\$617,000,000. The terms arranged with Italy provide for repayment between now and 1987 of successive amounts, which if discounted at  $4\frac{1}{4}$  per cent interest would have a present value of about \$538,000,000, or, if discounted at interest of 3 per cent would have a present value of \$791,000,000. In effect, what we are really asking Italy to pay is a total roughly equivalent to her post-armistice borrowings. We are forgiving or cancelling an amount equal to the loans extended to Italy for carrying on the war, and asking her only to repay the equivalent of the loans made afterwards for rehabilitation purposes. The Italian people rendered invaluable service to our common cause. They made tremendous sacrifices of men and money. They are hard pressed in consequence. We can well afford to share



in this way the expense of the battles they fought while we were preparing. [Applause.]

I agree, however, with those who have expressed the idea that what is fair for Italy would seem at least equally fair for France. For without the slightest question, of all the countries associated with us in the war, France bore the brunt and the heaviest burden. Italy lost nearly 700,000 lives in the war, but France lost nearly 1,700,000. The pensions for war victims in the two countries respectively stand in about the same proportions. The war damage on Italian soil reached a total of about 20,000,000,000 lire, but the war damage in France, wrought by most of the armies of the world, including our own, amounted to over 100,000,000,000 francs, or fivefold that of Italy. The internal debt of Italy amounts to about 90,000,000,000 lire; that of France to more than three times as much, or roughly 300,000,000,000 francs. The foreign debt of France is more than double that of Italy. If justice and equity demand leniency in the case of Italy, it would seem even more so in the case of France.

And what is fair for Italy would seem to be equally fair for Belgium, the most appealing of the nations that suffered in the war. In all the hue and cry about "war guilt" no one, not even the ex-Kaiser, has ever accused Belgium of responsibility for it. In everyone's opinion Belgium was the most innocent as well as the most complete of the war's victims. I must confess to no satisfaction in one feature of the settlement with Belgium, and that is this: Of the countries that loaned her money when her territory was under the Kaiser's heel and her Government was in exile, the United States has the distinction of being the only one to demand repayment of such loans. England loaned her more than \$500,000,000 at that time and France loaned her more than \$600,000,000, and they both are in greater need of payment than we are, yet they have not asked and never will ask Belgium to repay. The United States loaned Belgium less than a third as much—\$171,000,000—and the United States, though the richest country on the earth, is the only one to ask Belgium for reimbursement. I can not feel proud of the distinction. The agreement of the Debt Funding

Commission to eliminate all interest on these loans, which is a virtual cancellation of more than three-quarters of their capital value, seems a half-hearted acknowledgment of the equities in the case which is neither logical nor generous. I shall vote for the Belgian settlement with reluctance on that account.

One more word in conclusion. It is not certain that "capacity to pay" is the only factor to be taken into account in arranging these settlements. It is not clear that "just" settlements according to the intent of Congress can be made simply by applying that formula, by merely estimating how much these people can be made to pay, or how much they and their children and grandchildren may be able to pay between now and the year 1987 through toil and taxes and squeezing the last penny out of Germany. I am not sure that even in terms of avarice our people would win the greatest possible gain by rigid adherence to this principle. I suspect that they will make more money in the long run by treating other peoples as prospective customers rather than as debtors, to be forced through bankruptcy. And I fully believe that if we should insist upon this formula of "capacity of pay" during the next 62 years we would not contribute as much as we might to the reestablishment of good will among men and of peace among nations. By keeping up such pressure for several generations we would promote better relations neither between ourselves and our former allies nor between them and the ex-enemy countries. [Applause.]



EXTENSION OF REMARKS  
OF  
HON. A. PIATT ANDREW  
OF MASSACHUSETTS  
IN THE HOUSE OF REPRESENTATIVES

*Saturday, January 16, 1926*

Mr. ANDREW. Mr. Speaker, under the permission granted me by my colleagues, I desire to insert in the RECORD the text of the resolution which I introduced last week asking that terms as favorable as those which we yesterday voted for the Kingdom of Italy be extended to the Republic of France.

In substance, as I explained on Wednesday, we have agreed to wipe off from the account with Italy a sum equal to that which the United States loaned to Italy for carrying on the war. We only ask Italy to repay in the next 62 years an amount equivalent to that which the Italian Government borrowed after the armistice.

In view of the fact that France lost nearly 1,700,000 of her youth in the war, while Italy lost about 700,000, and that the devastation in France caused by the war was fivefold that in Italy, justice and equity would seem to demand at least equal forbearance toward France.

The following is the text of the resolution (H. J. Res. 101):  
Joint resolution authorizing the extension to the Government of France of as favorable terms for the settlement of its obligations as have been or may be granted to any of the other governments associated with the United States in the World War in the settlement of similar obligations

*Whereas* the acts of April 24 and September 24, 1917, authorizing the Secretary of the Treasury to establish credits for governments "then engaged in war with the enemies of the United States" declared that these credits were "for the purpose of more effectually providing for the (our) national security and defense and prosecuting the (our) war, and these acts were adopted at a time when the United States, then engaged in war, had no trained troops with which to oppose the enemy, and the credits so authorized were intended to make available for the troops of other nations associated with us the iron, steel, copper, chemicals, shells, rifles, powder, explosives, and sundry other supplies which they could use in holding back the enemy and which then existed or could be produced in the United States in abundance; and

*Whereas* a considerable part of what is to-day charged against the Government of France is the cost (at war prices paid to American manufacturers) of such supplies used by French soldiers during a period of approximately 14 months after our entrance in the war, when the United States was unable to contribute men in substantial numbers, and such supplies represent the principal contribution made by the United States to the prosecution of the war during the greater part of the 19 months of our participation, in which time hundreds of thousands of the youth of France were mutilated and killed while our troops were being mobilized and trained; and



*Whereas* the Government of France confronts to-day a most serious financial situation—

(1) Because of debts amounting to more than 300,000,000,000 francs incurred in the prosecution of the war, to which have been added debts amounting to approximately 80,000,000,000 francs incurred in restoring the homes, schools, and churches, the stores, factories, and mines, the bridges, railroads, and farms of France destroyed by the armies of the world, including our own;

(2) Because of inability to recover from the ex-enemy governments but a small fraction of the reparation for such destruction promised by the terms of the armistice, which our Government not merely agreed to but formulated;

(3) Because nearly 200,000 of the 893,000 buildings destroyed in France have still to be rebuilt, and annual pensions have to be paid to widows, orphans, and dependent parents of 1,700,000 French soldiers who died in the war and to more than a million mutilated and disabled French veterans (a heavy burden because of the numbers involved, even though the individual pension rarely reaches a fifth of the amount paid to our own war victims);

(4) Because the money of France, seven years after the war, is depreciated to less than a fifth of its former value, so that all that the French people had saved and invested in bonds or savings accounts before the war, and all that they loaned to their Government for carrying on the war has already lost more than four-fifths of its value;

(5) Because the French people in recent years have been taxed to fully 20 per cent of their total income, or nearly double the heavy percentage prevailing in the United States, and their treasury has been unable to meet bonds, maturing this year amounting to many billion francs, without vast additional issues of paper money, which threaten the misfortunes of further depreciation, on all of which accounts the Government of France has greater financial difficulties to overcome than at any time since the end of the eighteenth century; and

*Whereas* in the period of America's most extreme need France gave generous aid to the United States not only (1) in loans, when no other country would extend her credit (on some of which interest was remitted, but also (2) in outright gifts of money, and above all (3) through an expeditionary land and sea force, which contributed indispensably to the victory at Yorktown and our independence, which is estimated to have cost France over \$700,000,000, and for which she asked no recompense whatever; and

*Whereas* the situation is to-day reversed, and while France is in extremities, the United States occupies, as President Coolidge has said, "a position unsurpassed in former human records," being far more prosperous than before the World War, with no ruins to repair, a currency that is unimpaired, half the world's gold in our vaults (the greater part of which has been drawn from other countries since the World War began), and being able to provide liberally for our own war victims, to reduce taxes, and at the same time pay off annually a billion dollars of the Government's debt:

*Resolved, etc.,* That the World War Foreign Debt Commission is urged to take account of the circumstances and equities heretofore named and is authorized to extend to the Government of France as favorable terms for the settlement of its obligations as have been or may be extended to any of the other governments associated with the United States in the World War for the settlement of similar obligations.